

**Current Tax Treatment of Water Conservation and Water Reclamation Measures and Programs
with Potential Tax Incentives**

Water Conservation Expenditures For Consumers		
Description	Current Tax Treatment	Possible Tax Treatment
Pay consultants to do water use study, develop conservation billing rate structure, design education pieces, etc.	No tax to utility. Consultant pays service B&O on fees paid by utility; presume tax built into cost.	Exempt such studies from B&O tax.
Costs to develop conservation billing rate structure in-house.	Deduction may be allowed per 1832.	
Installation of service meters.	<p>Utility pays sales or use tax on meters or collects retail sales tax and pays retailing B&O. Deduction may be allowed per 1832.</p> <p>On fee for installation: if new customer/construction, service B&O is paid; if existing customer, public utility tax is paid.</p>	<p>Exempt such meters from sales and use tax.</p> <p>Exempt installation fees from B&O or public utility tax.</p>
Costs to develop education pieces in-house.	Deduction may be allowed per 1832.	
Providing tangible personal property free of charge for low-flow, leak detection, landscape moisture sensors, etc.	Utility pays sales and use on purchase of tangible personal property. Deduction may be allowed per 1832.	Exempt the tangible personal property from sales and use tax.
Selling same tangible personal property.	Utility collects retail sales tax and pays retailing B&O. Deduction may be allowed per 1832.	Exempt the tangible personal property from sales and use tax.
Industrial, commercial, and/or landscaping water use audits performed by staff.	Deduction may be allowed per 1832.	

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Reclaimed Water Costs		
Description	Current Tax Treatment	Possible Tax Treatment
Construction of reclamation facility – infrastructure and equipment	Sales and use tax on project. Property tax if not a publicly owned facility.	Exempt from sales and use tax. Property tax exemption.
Construction of infrastructure to distribute reclaimed water	Sales and use tax on project. Property tax if not a publicly owned facility.	Exempt from sales and use tax. Property tax exemption.
Construction of infrastructure to use reclaimed water	Sales and use tax on project. Property tax if not a publicly owned facility.	Exempt from sales and use tax. Property tax exemption.
Gross receipts on sale of reclaimed water.	75% exempt per 1832	Exempt 100%

Water Conservation Expenditures In General		
Description	Current Tax Treatment	Possible Tax Treatment
System-wide leak detection and repair	Sales or use tax on tangible personal property. No deduction allowed per 1832.	Exempt from sales and use tax.
Repair of water main for conservation purpose (is distinguishable from repair in general?)	Sales or use tax on tangible personal property. No deduction allowed per 1832.	Exempt from sales and use tax.
Source meter installation.	Sales or use tax on tangible personal property. No deduction allowed per 1832. Property tax.	Exempt from sales and use tax. Property tax exemption.
Construct water storage/reservoir systems.	Sales or use tax on project. Property tax if not a publicly owned facility.	Exempt from sales and use tax. Property tax exemption.

Other Measures		
Description	Current Tax Treatment	Possible Tax Treatment
Replacement of decrease in revenues by reason of consumer conservation.		Tax credit for decrease in revenue.
Distribution or transfer of “saved” water.		Exempt gross receipts from taxes.